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Senate Committee on Governmental Affairs: Statement of the Chairman

I would like to turn our attention to what I consider one of the most troublesome areas of this investigation. I speak of allegations concerning a plan hatched during the last election cycle by the Chinese government and designed to pour illegal money into American political campaigns. The plan had a goal: to buy access and influence in furtherance of Chinese government interests. By the very nature of the topic, I must keep my remarks brief. However, I will tell you what I can.

The Committee has investigated the existence of an alleged Chinese plan to the fullest extent possible. Although we have encountered limitations on the information available, including those attendant to a pending criminal investigation, the Committee has uncovered a significant amount of documentary and other relevant information. Our work in this area will continue. For now, the Committee is able to report some of its basic findings, which are as follows.

The story about the existence of a Chinese plan to subvert our election process is intertwined with the state of America's relations with China and Taiwan in recent years. Let me provide some context up front about those relations. Although the United States maintains no official ties with the government of Taiwan, our diplomatic relations with the government of China have long been influenced by our ties to Taiwan. This is largely because the government of China considers Taiwan a rogue province and suspects it of seeking independence from the mainland. In 1994, Beijing lodged an official protest over an Administration proposal to modestly increase

contacts with Taiwan. This presaged difficulties in U.S./China relations that would arise the following year.

In May 1995, Taiwanese president Lee Teng-hui was granted a visa to visit the United States. President Lee's trip, which included stops in Alaska, California, and New York, was highlighted by a visit to his alma mater, Cornell University. The visa, granted after a political struggle between Congress and the White House, represented a shift in Administration policy. President Clinton initially opposed the visa but eventually agreed to the visit. The move caught the government of China off-guard; it had apparently underestimated Congress's influence over the process.

Though caught off-guard, Beijing was quick to voice its outrage and to engage in a series of overt retaliatory measures. China suspended arms control talks with Washington, postponed cross-Strait talks with Taiwan, canceled official visits to and from the United States, amassed troops along the coast facing Taiwan, and recalled its ambassador to the United States.

But not all of China's reactions were overt. Secretly, Beijing worked to prevent similar diplomatic surprises from occurring in the future. The Committee believes that high-level Chinese government officials crafted a plan to increase China's influence over the U.S. political process.

The Committee has identified specific steps taken in furtherance of the plan. Implementation of the plan has been handled by Chinese government officials, and individuals enlisted to assist in the effort. Activities in furtherance of the plan have occurred both inside and outside the United States. Our investigation suggests the plan continues today.

In general terms, the plan undertakes a series of efforts aimed at increasing China's influence. Some of these efforts are typical, appropriate steps foreign governments take to communicate their views on United States policy. They include retaining lobbying firms, inviting more Congresspersons to visit China, and attempting to communicate Beijing's views through media channels in the United States. However, other parts of the plan direct actions that are illegal under U.S. law. Although most discussion of the plan focuses on Congress, our investigation suggests that it affected the 1996 Presidential race and state elections as well. The government of China is believed to have allocated substantial sums of money to achieve its objectives.

Another aspect of the plan is remarkable because it shows that the PRC is interested in developing long-term relationships with persons it has identified as up-and-coming officials at state and local levels. The intent is to establish relations that can be cultivated as the officials rise through the ranks to higher office.

When the FBI learned of these matters, it opened a foreign counterintelligence investigation and has developed and gathered a large volume of detailed information on the plan's implementation. In May and June 1996, having determined that the gravity of the situation warranted specific action, the FBI briefed the intelligence oversight committees in the House and Senate, as well as six Members of Congress the FBI determined might be targets of the Chinese effort. The Bureau later briefed a seventh Member in October 1996. The FBI continues to investigate possible illegal activities connected to the plan.

Importantly, the FBI also told the White House about the Chinese plan in June 1996, when FBI agents briefed two representatives of the National Security Council. The FBI placed no limitation on sharing the information, much of which the White House had independent access to through other means. This raises questions about who in the White House should have known -- or actually knew -- of the Chinese plan and how it had come to be implemented.

My comments provide only a broad outline of the Chinese plan. The great majority of information about this matter cannot be discussed further in open session. The Committee expects to hold a closed executive session sometime soon to consider this matter more closely.